

# IT Initiative Supplement

July 25, 2011

## I. Project Description

**Project Title:** MPERAtiv

**Brief Description of the Project Title:** MPERAtiv is an overall customer service, business operations and technology improvement initiative. MPERA plans to replace our legacy applications with an all inclusive pension administration Line of Business (LOB) system tightly integrated with an imaging solution. The two projects will be appropriately managed to provide a cohesive and comprehensive solution that will address MPERA's business needs and goals.

**Statewide Priority:**

**Agency Priority:** Critical

**Estimated Completion Date:** FY2015

**IT Project Biennium:** FY2012 – FY2013; FY2014 – FY2015

**Request Number:**

**Version:**

**Agency Number:** 06104

**Agency Name:** Montana Public Employee Retirement Administration

**Program Number:**

**Program Name:**

**A. Type of Project (check all that apply)**

- ☐ Enhancement
- ☒ Replacement
- ☐ New
- ☐ O&M

**B. Type of System (check all that apply)**

- ☒ Mid-Tier
- ☐ Mainframe
- ☐ GIS
- ☐ Web
- ☐ Network
- ☐ Desktop

## II. Narrative

### C. Executive Summary

#### **Project Purpose and Objectives:**

MPERA must improve business processing to meet customer expectations, and to provide improved services, effectiveness and efficiency.

MPERA administers three mainframe systems and two Oracle based applications. Our current mainframe systems utilize IDMS databases hosted by the Montana Department of Administration – State Information Technology Services Division. These software systems are nearing the end of their life cycle and have seen many legislative driven plan changes and additions over their 25-year lifespan that have left the systems more difficult to maintain and enhance. In addition, skilled IDMS programmers are becoming scarce.

MPERA does not currently provide its plan members and retirees with the ability to access account information through the internet. Implementing a member self service portal should dramatically reduce the increasing workload on MPERA staff by allowing members the ability to access information as they need it.

Many of MPERA's staff members are approaching or have reached retirement eligibility. Over the next five years, the retention risk for key staff necessary to help successfully implement a new line of business (LOB) system increases dramatically.

MPERA must continue to address the demands of customers and changes in business processes to effectively support and administer our retirement plans.

#### **Technical Implementation Approach:**

MPERA plans to proceed with a system replacement program, MPERAtiv, comprised of multiple projects, each with independent procurement and implementation stages. A single project manager will provide Oversight Project Management (OPM) for all projects within the program to ensure success.

The projects include:

- Contracting with an oversight project manager with pension replacement experience.
- Imaging.
- Data Cleansing & Data Maintenance/Conversion.
- LOB Replacement.

#### **Project Schedule and Milestones:**

- Data Cleansing vendor procurement.
- Initiate data cleansing activities.
- LOB vendor procurement.
- Develop detailed LOB project plan.
- Development and testing.
- Training.
- Data conversion.
- LOB Implementation.
- Review project at completion to highlight lessons learned and archive project knowledge gained.

**Business and IT Problems Addressed:**

MPERA expects a successful implementation of a new LOB solution to result in the following principal benefits:

- Combine the functionality of the current Mainframe and Employer Reporting applications into a single integrated LOB pension administration system.
- Combine our separate Active and Retired databases into one joint database.
- Enable MPERA to proactively prepare for the anticipated increase in retirements.
- Provide retirement system members with online access to account information to improve customer service and knowledge, and to increase staff efficiency.
- Improve operating efficiency and accuracy by replacing manual processes.
- Recover critical business documents in the event of a natural disaster or fire.
- Increase data security by reducing the risk of lost or misplaced documents and files.
- Replace the batch-oriented software systems with interactive real-time processing.
- Automate business rules to improve accuracy and consistency, and reduce redundancy.
- Implement internal audit controls to increase security and reduce risk.
- Increase our ability to recruit and retain qualified staff.

**D. Alternative(s)****Alternatives Considered:**

1. Maintain and enhance the legacy applications.
2. Replace the legacy applications with one of the following:
  - Purchase an all-inclusive Pension Administration Solution.
  - Lease a solution through a Software as a Service (SaaS) provider.
  - Build a custom application.

**Rationale for Selection of Particular Alternative:** 1) Improved functionality: Our existing legacy applications do not meet all of our business requirements. 2) Ability to recruit and retain qualified staff to support legacy applications. 3) Cost and support: ITSD has suggested that the cost for maintaining mainframe IDMS applications may become more costly as more agencies migrate away from the mainframe and the support for these systems may be discontinued. They have encouraged us to migrate our systems from the mainframe to mid tier applications.

**E. Narrative Detail**

### III. Costs

#### G. Estimated Cost of Project:

The costs for this project are rough estimates only.

<b>1. RFP Development</b>	<b>\$275,000</b>
<b>2. System Replacement</b>	<b>\$7,850,000</b>
<b>3. Data Cleansing</b>	<b>\$450,000</b>
<b>4. OPM/IV&amp;V/QA</b>	<b>\$750,000</b>
<b>5. Contingency</b>	<b>\$972,000</b>
<b>6. Back fill positions</b>	<b>\$670,000</b>
<b>7. ITSD hosting (hardware/software/support)</b>	<b>\$1,140,000</b>
<b>8. Vendor Out-year support</b>	<b>\$1,000,000</b>
<b>Total Estimated Costs</b>	<b>\$13,107,000</b>
<b>Total Funding</b>	

### IV. Funding

#### H. Funding

##### 1. Fund:

07 agency funds

##### 2. Amount:

##### 3. Total Costs:

**Cash/Bonded:**

**Bill Number:**

## V. Cost upon Completion

### 1. Operating Costs upon Completion

Costs have not been estimated.

**FTE:**

**Personal Services Costs:**

**Operating Costs:**

**Maintenance Expenses:**

**Total Estimated Costs:**

### 2. Funding Recap

**Fund Type:**

**Amount:**

**Total Funding:**

## V. Risk Assessment

### A. Current IT Infrastructure Risks

1. Current application 10+ years old? Yes  
Date of last major upgrade?  
  
PERD Retiree Systems: 1985  
PERD Active Systems: 1993  
VFCA: 2006
2. Current application is based on old technology? Yes  
If yes, what is the current hardware platform, operating system, and programming languages used to support the application?  
  
Z/OS 1.09 mainframe using IDMS Cobol and ADS.
3. Is the agency not capable of maintaining the current application with internal technical staff?  
If yes, who supports the application today?  
  
1 FTE and 1 contractor. Support may be impacted if there is staff turnover or loss of contractor.

4. Other IT infrastructure risks?  
If yes, provide further detail.

Yes

Currently ITSD hosts our mainframe applications. These applications are at risk if this service is terminated.

## **B. Current Business Risks**

1. What are the risks to the state if the project is not adopted?

Increasing costs as agencies migrate away from the mainframe.

2. Does the current application meet current business requirements?  
If “no”, what specific business functions does the application lack?

No

Service Purchase and retirement calculation functionality is limited. Critical processes are performed manually and could be automated to improve accuracy and efficiency.

## **C. Project Risk Assessment**

1. Describe any major obstacles to successful implementation and discuss how those obstacles will be mitigated.

**Table H Risk Assessment**

Description	Severity (H/M/L)	Probability of Occurrence (%)	Estimated Cost	Mitigation Strategy
Funding (Reductions in Budget for MPERAtiv)	H	25%		Work with PERB and MPERAtiv Steering Committee to ensure that funds are secure. Schedule implementation of line of business system to ensure that breaks exists where the project can be delayed without causing harm to the project, while providing value to MPERA.
Project Management				Hired Provaliant Retirement, LLC. Risk was avoided.
Staffing	M	80%		Carefully plan out project timelines and work load to ensure that project overlap doesn't result in resource overload.
Staff Turnover	M	10%		Documentation of staff responsibilities and roles for MPERAtiv. Identify backup staff for key roles. Ensure some level of cross training in the Core Team.
Technology advancements				Hired Provaliant Retirement, LLC. Risk was avoided.

Project approach (Chunking)				Hired Provaliant Retirement, LLC. Risk was avoided.
Employer education	M	75%		Develop training plan for employers with the LOB vendor. Utilize vendor to provide initial training to Employers. Develop Webinars that employers can utilize.
Culture Changes to Support new LOB	H	75%		Engage staff in the benefits of change. Provide training on change. Lean on Steering Committee and Core Team to be positive voices on change. Develop Organization Change Plan